FINAL
MTREF BUDGET
2014/2015 to 2016/2017

Munisipaliteit UMJINDI Municipality

MP 323

UMJINDI LOCAL MUNICIPALITY

2014/15 MEDIUM-TERM REVENUE AND

EXPENDITURE FRAMEWORK
(MTREF) and

(2014/15 BUDGET)

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Integrated development plan (IDP) 2014/2015

+

CD (Soft copy of budget document)

UMJINDI LOCAL MUNICIPALITY

2014/15 MEDIUM-TERM REVENUE AND

EXPENDITURE FRAMEWORK
(MTREF) and

(2014/15 BUDGET)

EXECUTIVE SUMMARY

Core Business Area	Financial Services Directorate
Operational Area	Budget & Treasury Section

Owner: Umjindi Budget & Treasury Section
Client: Umjindi Local Municipality

Document Classification:
Public

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1. PURPOSE

1.1 The purpose of the report is to table the 2014/2015 Medium-Term Revenue and Expenditure Framework (MTREF) and 2014/2015 Budget before Council in terms of Section 24(1) of the Local Government: Municipal Finance Management Act (MFMA), 2003 Act 56 of 2003, which states that the municipal council must at least 30 days before the start of the budget year consider approval of the annual budget.

2. BACKGROUND (OVERVIEW)

2.1 The 2013/14 MTREF and the adjusted MTREF for the 2013/2014 financial year will be remembered for the tremendous challenges that the Municipality encountered during the compilation of the 2013/2014 MTREF due cash flow constraints and competing IDP priorities as well as institutional needs for betterment of working conditions for staff.

2.2 The 2013/14 Adjustment Budget in January 2014 directly informed the compilation of the 2014/15 MTREF, aligned to the spirit of the MFMA, and more specifically the principle of multi-year budgeting.

2.3 The 2014/15 Budget and 2014/2015, 2015/2016 and 2016/2017 MTREF is now being tabled for consideration and adoption according to section 24 of MFMA (Municipal Finance Management Act, 56 of 2003), the MFMA Circular No. 70 Municipal Finance Management Act No. 56 of 2003 Budget, Circulars No 70 (Budget cost containment measures as amended in Government Notice regarding the National Treasury Regulations under notice R 874) and MFMA Circular No.72 :

This circular provides further guidance to municipalities and municipal entities for the preparation of their 2014/15 Budgets and Medium Term Revenue and Expenditure Framework (MTREF). It must be read together with all previous MFMA Budget Circulars, and specifically MFMA Circular No. 70 – Municipal Budget Circular for the 2014/15 MTREF.

2.8 Section 22 (b), 23(3) and 24(3) of the MFMA will apply and be submitted to the National Treasury and the relevant Provincial Treasury in printed and electronic formats.

3. BUDGET ASSUMPTIONS (BUDGET PROCESS)

3.1 The Budget are prepared in an environment of uncertainty and assumptions need to be made about internal and external factors that could impact on the budget during the course of the financial year.

3.2 In compiling the 2013/14 MTREF, the following issues and assumptions that already started during the very difficult 2012/2013 MTREF process and adjustment budget were taken into consideration as the economic meltdown continued with ripple effects in 2013 and still have a major effect on the budget planning process and outcomes for the 2014/2015 MTREF :

3.2.1 Economic climate;

3.2.2 Poverty levels;

3.2.3 Inflation; and

3.2.4 Service delivery cost increases

3.2.5 Increase of staff costs and demands

3.3 Tariff and Property Rate increases should be affordable and on line with the CPIX, as outlined in the MFMA Circular 72 from National Treasury however taking into account the need to address infrastructure requirements, as well as adjusting some tariff to make the costs of rendering the service to breakeven, therefore some tariff can be increased with more than the CPIX. The MFMA Circular 72 however stipulates as follows:

National Treasury has observed that municipalities unjustifiably approve property rate and service charge tariff increases far above the 6.0 per cent upper boundary of the inflation target; in some instances municipalities have increased annual tariffs in excess of 100 per cent in a single financial year. For this reason ***municipalities must justify and substantiate in their budget documentation (budget narrative) all increases in excess of the 6.0 per cent*** upper boundary of the South African Reserve Bank's inflation target.

3.4 No budget will be allocated for capital projects unless the request is included in the IDP.

3.5 The disposal / selling of municipal vacant land (Stands to be sold) will be included as anticipated revenue to be realized and form part of the budget. The council will have to provide in future for more stands to be made available to middle and high income groups

that can afford payment for services and which will expand the revenue base of the municipality.

3.6 Operational costs will be maintained at current levels (As approved in the Adjustment budget for the 2013//2014 MTREF) or reduced as cost containment measures.

3.7 Budget allocations for externally funded projects will be maintained at approved or gazetted (DIVISION OF REVENUE BILL *(As introduced in the National Assembly (proposed section 76); explanatory summary of Bill published in Government Gazette No. 37337 of 21 February 2014)*

3.8 Cash flow projections should be strictly maintained to ensure the municipality's ability to meet its obligations as contemplated in the draft budget.

3.9 Most general expenditure budget items and the repairs and maintenance budgets have not been increased but is maintained as approved in the Adjustment budget for the 2013/14 MTREF.

3.10 Employees salaries and contributions have been increased in line with the Bargaining councils 3 year agreement with unions signed during the 2012/13 financial year and a provisional increase of 6.79% is budgeted for.

The MFMA circular 72 stipulates as follows:

Municipalities must take into account the multi-year Salary and Wage Collective Agreement for the period 1 July 2012 to 30 June 2015. The agreement provides for a wage increase based on the average CPI for the period 1 February 2013 until 31 January 2014, plus 1 per cent for 2014/15 financial year (with effect of 1 July 2014).
The average CPI for the period February 2013 to 31 January 2014 is 5.79 per cent which compares well to the estimate of 5.9 per cent for 2013 as provided for in the 2013 Medium Term Budget Policy Statement. Municipalities are therefore advised to provide for increases related to salaries and wages as follows:
2014/15 Financial Year – 6.79 per cent (5.79 per cent plus 1 per cent)
2015/16 Financial Year – 6.40 per cent (5.40 per cent plus 1 per cent)
2016/17 Financial Year – 6.40 per cent (5.40 per cent plus 1 per cent)

3.11 Increase for Councillors allowances has been allowed for in the 2014/15 MTREF in line with the Remuneration of Public Office Bearers Act (No. 20 of 1998) and a provisional increase of 6% is budgeted for

3.12 The Budget makes provision for ±2500 indigent household to be registered, approved and will be receiving free basic services in 2014/15.

3.13 This Budget does not make provision for Council to enter into any new external loans for capital funding purposes during the 2014/2015 financial year.

3.14 Provision for non-receipt of billed income has been made in the budget (this is called the working capital budget). It is assumed that of the total income budget 88% will be received as actual income. Collection rate currently varies between 84% and 89%.

3.15 The Equitable Share, Finance Management Grant, Municipal System Improvement Grant, National Electrification Programme Grant, Water Infrastructure Grant and EPWP Incentive Grant where determined in line with the 2014/15 Division of Revenue Bill.(*Bill published in Government Gazette No. 37337 of 21 February 2014)*

4. 2014/2015 BUDGET HIGHLIGHTS

4.1 An amount of R 3,632 million has been budgeted for the indigent household subsidization on municipal services excluding water.

4.2 An amount of R3, 773 million has been budgeted for free basic services to other residents (6Kl Water to all residential consumers).

4.3 An amount of R56,1 million has been budgeted for infrastructure and institutional development (MIG=R29,8 Million and INEP=R5,3 million R21 for water infrastructure).

4.4 The envisaged sources of funding for the Capital Budget must be properly considered and the Council is satisfied that this funding is available and has not been committed for other purposes before any capital project or item started with or purchased.

5. OPERATING BUDGET

5.1 The following table represents the 2014/15 Budget.

	Vote Description Revenue (Income)	Original approved budget 2013/2014	Adjustment Budget 2013/2014	Final Budget 2014/2015
1	OPERATING REVENUE BY			
2	Property Rates	23,569,187	25,069,187	23,945,737
3	Property Rates-Forgone		-7,359,786	-6,583,721
4	Property Rates		17,709,401	17,362,016
5	Electricity	46,247,000	46,247,000	48,387,799
6	Electricity Pre-Paid	27,247,811	28,664,348	30,384,208
7	Water	33,931,182	33,931,182	29,931,182
8	Sanitation	5,871,096	5,871,096	5,972,712
9	Refuse Removal	10,524,767	10,524,767	12,396,999
10	Grants Operational	50,003,000	49,968,000	64,217,000
11	Interest & Inv Inc	500,000	301,578	350,000
12	Rent of Facilities	1,479,267	1,030,417	1,092,243
13	Interest on O/S Debt	2,500,000	2,500,000	2,000,000
14	Traffic Fines	302,000	231,625	252,300
15	Fines	1,240	639	677
16	Licenses and permits (Agency	2,900,000	2,658,613	2,818,130
17	Other (Miscellaneous)	9,465,836	8,408,265	4,268,556
18	Gains on Disposal of Assets	100,000	438,596	300,000
	Profit on Sale of Inv Prop / Land	1,812,769	1,183,388	1,254,391
	TOTAL OPERATING REVENUE	216,455,155	209,668,915	220,988,212

	Vote Description Expenditure	Original approved budget 2013/2014	Adjustment Budget 2013/2014	Draft Budget 2014/2015
19	Employee Remuneration	59,667,581	65,599,883	70,697,089
20	Employee : Social Contribution	13,383,036	12,690,839	15,081,904
21	Councillors Remuneration	6,199,796	6,667,264	7,040,104
22	Depreciation	25,000,000	25,000,000	23,000,000
23	Repair & Maintenance	8,156,675	4,720,707	4,170,707
24	Interest Paid	547,100	753,634	753,634
25	Bulk Purchases	64,535,000	62,535,000	62,535,000
26	Contracted Services	12,901,530	11,849,072	11,847,822
27	Grant&Subsidypaid Operational	7,940,000	7,940,000	6,940,000
28	Pauper Burial Services	46,968	31,984	25,000
29	Contribution to Funds & Reserves	18,053,170	18,302,596	18,302,596
30	Internal Capital	-	-	-
31	General Expenses	35,105,824	32,583,198	32,938,521
	Expenditure Total	251,536,680	248,674,177	253,332,377
	Surplus/(Deficit)	-35,081,525	-39,005,262	-32,344,164
	Increase / (Decrease) in total			1.87%
	NON-CASH ITEMS			
	Asset depresiation		**25,000,000**	23,000,000
	Bad Debts		**15,371,596**	15,371,596
	Interest Debtors		**-2,500,000**	-2,000,000
	Actual Surplus / (Deficit) on		3,866,334	4,027,432
	Orders (Expend commitments) outstanding		12,130,515	14,287,264

5.2 The deficit of (– R 32 344 164) does include non-cash items for asset depreciation of R23 000 000, 00, R 15 371 596 for Provision for bad debts (Debtor impairment), R 2 000 000 for interest on long outstanding debtors (Debtors impairment) creating a surplus of (R 186 432) if Internal Capital of R 3 841 000 is added to the Operational Budget.

5.3 Departments were given the opportunity to refine their budget proposals in line with the budget principles and availability of revenue.

5.4 These sessions did not only focus on expenditure, but revenue generation potential within the context of improved service delivery, operational efficiencies and potential gains

6. EXTERNAL FUNDS (GRANTS) - DoRA

6.1 With the promulgation of the 2014 Division of Revenue bill in February 2014, the following operational and capital allocations towards the municipality have been factored into the MTREF. (*Bill published in Government Gazette No. 37337 of 21 February 2014)*

DESCRIPTION	BUDGET 2013/14	BUDGET 2014/154
MIG	28 052 000	29 824 000
INEP	18 000 000	5 300 000
FMG	1 550 000	1 600 000
MSIG	890 000	934 000
EPWP Incentive	1 286 000	1 795 000
Equitable Share	52,307,000	58 318 000
Water Infrastructure Grant	17 196 000	21 000 000
TOTAL GRANTS	102 085 000	118 771 000

6.2 The table below illustrates how the above grants have been allocated to the various projects in the 2014/15 budget year:

DESCRIPTION	FINAL BUDGET
MUNICIPAL INFRASTRUCTURE GRANT (MIG)	
Rehabilitation of Sewer line at ext 11	7 500 000
Upgrade Bulk line from Greyville to Ext 10B	5 500 000
Construction of road with paving :Verulam	12 000 000
Resurfacing Hospital link road	2 000 000
Sport infrastructure development	1 500 000
PMU	1 324 000
TOTAL MIG	29 824 000

WATER INFRASTRUCTURE GRANT	
Upgrading and refurbishment Lomati dam wall	5 900 000
Rimers Creek WTW	2 100 000
Emjindini Trust bulk pipeline &Water reticulation	600 000
Emjindini Bulk pipeline &Water reticulation	600 000
Kamadakwa Ndlovu storage and reticulation	600 000
Barberton and Verulam pipeline	600 000
Water provision to farm dwellers and rural areas	3 000 000
Sheba siding Bulk pipeline, WTW & reticulation	7 600 000
TOTAL MWIG	21 000 000

INTERGRATED NATIONAL ELECTRIFICATION PROGRAMME (INEP)	
Funding 2013/2014 Shortfall	2 000 000
Electrification of Msholozi (1321 H/holds)	3 300 000
TOTAL INEP	5 300 000

MUNICIPAL SYSTEMS INPROVEMENT GRANT (MSIG)	
Valuation Roll	300 000
Supply Chain Data Base	40 000
SCOA (Standard Charter of Accounting)	494 000
Asset Register	50 000
Development of By-laws	50 000
TOTAL MSIG	934 000

FINANCE MANAGEMENT GRANT (FMG)	
CPMD Training	300 000
Financial Interns	600 000
Review of Annual financial Statements (Case Ware Program and GRAP implementation	400 000
Internal Financial Management Workshops (SEBATA Financial Training/GRAP)	300 000
TOTAL FMG	1 600 000

EQUITABLE SHARE	
Free Basic Services to all residents(Water 6Kl)	3 772 392
Subsidy for approved Indigent households	3 632 112
MPRA (Municipal Property Rates Act)	533 896
Operational support for ward committees	540 000
Operational support for Councillors remuneration	3 102 000
Revenue to operational budget	46 737 600
TOTAL	58 318 000
EPWP INCENTIVE GRANT	
Labour intensive projects	1 795 000
TOTAL	1 795 000

7. CAPITAL BUDGET

7.1 The Capital budget per department (Expenditure and funding resource) for the 2014/2015 financial year will be as per the attached capital budget schedule.

7.2 The total capital budget currently equates to:

Internal R 3 841 000
Grants R 56 124 000

7.3 Departments have to take into account their capacity and funding to spend the requested budgets against the allocated projects in order to ensure implementation and provision of services delivery.

8. REVENUE FRAMEWORK

8.1 In order to serve the community and to render the services needed, revenue generation is fundamental to financial sustainability of every municipality.

8.2 The reality is that we are faced with developmental backlogs and poverty, challenging our revenue generation capacity. The requests always exceed the available funds. This was even more obvious when compiling the 2014/2015 budget.

8.3 Municipalities must table a balanced and more credible budget, based on realistic estimation of revenue that is consistent with their budgetary resources and collection experience.

8.4 The revenue strategy is a function of key components such as:

8.4.1 Growth in town and economic development;
8.4.2 Revenue enhancement;
8.4.3 Achievement of 90% annualized collection rate for consumer revenue;
8.4.4 National Treasury guidelines;
8.4.5 Electricity tariff increases within National Electrification Regulator of South Africa (NERSA) approval;
8.4.6 Approval of full cost recovery of specific department;
8.4.7 Determining tariff escalation rate by establishing/calculating revenue requirement; and
8.4.8 Ensuring ability to extent new services and recovering of costs thereof.

8.5 The following table is a high level summary of the Adjusted 2013/2014 MTREF (Classified per main revenue source).

8.6 Increase revenue base through providing stands to be sold to middle and high income earners and commercial who can afford to pay for municipal services.

9. TARIFF SETTING

9.1 Umjindi Municipality derives its revenue from the provision of services such as electricity, water, sanitation and refuse removal. A considerable portion of the revenue is also derived from property rates and grants by national governments as well as other minor charges such as traffic fines.

9.2 Tariff increases are primarily driven by the Consumer Price Index

Tariff and Property Rate increases should be affordable and on line with the CPIX, as outlined in the MFMA Circular 72 from National Treasury however taking into account the need to address infrastructure requirements, as well as adjusting some tariff to make the costs of rendering the service to breakeven, therefore some tariff can be increased with more than the CPIX.

The MFMA Circular 72 however stipulates as follows:

National Treasury has observed that municipalities unjustifiably approve property rate and service charge tariff increases far above the 6.0 per cent upper boundary of the inflation target; in some instances municipalities have increased annual tariffs in excess of 100 per cent in a single financial year. For this reason ***municipalities must justify and substantiate in their budget documentation (budget narrative) all increases in excess of the 6.0 per cent*** upper boundary of the South African Reserve Bank's inflation target.

All the tariffs have been increased by a percentage of 6% if not indicated on attached schedule to this document except for electricity of which Circular 72 of the MFMA stipulates as follows:

*Municipalities are advised to structure their 2014/15 electricity tariffs based on the approved **7.39 per cent** NERSA guideline tariff increase and provide for an **8.06 per cent** increase in the cost of bulk purchases for the tabled 2014/15 budgets and MTREF. In this regard municipalities are once again urged to examine the cost structure of their electricity undertakings and apply to NERSA for electricity tariff increases that are cost reflective and ensure continued financial sustainability.*

9.3 It is realised that the ability of the community to pay for services rendered is also under tremendous pressure and that the economic outlook for the near future require everybody to make sacrifices.

9.4 The additional revenue that will be generated through tariff increased has to ensure continued service delivery.

9.5 Tariff increases were therefore calculated at 6% with regards to the main services, with the exception of Electricity.

9.6 By increasing tariffs higher on essential commodities, more strain will be placed on the already cash stripped resident households

9.7 Increases beyond the 6% included in the draft MTREF will only add to bad debt which is already high and a decline in the cash flow

9.8 The outcome of the increases in tariffs on the different revenue categories is as follows:

DETAILS	2014/15 PROPOSED TARIFF INCREASE	2014/15 TOTAL BUDGETED REVENUE
Property Rates	6%	**23,945,737**
Electricity	7,39%	**78,772,007**
Water	6%	**29,931,182**
Sanitation	6%	**5,972,712**
Refuse Removal	6%	**12,396,999**
TOTAL		**151,018,637**

9.10 Property Rates

9.10.1 Property rates cover the shortfall on the provision of general services. Determining the effective property rate tariff is therefore an integral part of the municipality's budgeted process.

CATEGORY	CURRENT TARIFF 2013/14 (No VAT)	PROPOSED TARIFF 2014/15 (No VAT)	Increase (Decrease) in tariff
	C	C	
Residential	0.00800	0.0085	6%
Business & Commercial	0.01600	0.0170	6%
Industrial	0.01600	0.0170	6%
State owned residential	0.00800	0.0085	6%
State owned non-residential	0.00800	0.0085	6%
Agricultural residential	0.00800	0.0085	6%
Agricultural non-residential (Land solely for farming)	0.00800	0.0085	6%
Agricultural non-residential (Business)	0.01600	0.01700	6%
Agricultural vacant land	0.00800	0.0085	6%
All non-agricultural land	0.00800	0.0085	6%
All non-permitted use	0.00800	0.0085	6%

9.11 Water

9.11.1 A 6% increase in water tariffs applicable to the residents of Umjindi is proposed

9.11.2 A summary of the proposed tariffs (VAT INCLUDED) for households (residential) and non-residential are as follows as from 1 July 2014.

CATEGORY	CURRENT TARIFFS 2013/14 (Including VAT)	PROPOSED TARIFFS 2014/15 (Including VAT)	PROPOSED TARIFFS 2014/15 Increase
	Per Kl R	Per Kl R	%
Monthly Basic Charge per Category			
Residential (Approved indigents Free)	43.85	46.48	6.0%
Residential: Town Developed & Churches (Approved indigents Free)	43.85	46.48	6.0%
Residential: Emjindini Developed & Churches (Approved indigents Free)	39.77	42.15	6.0%
Residential: Undeveloped	81.23	86.10	6.0%
Business	81.23	86.10	6.0%
Prison farm	118 358.16	125 459.65	6.0%
Purified Water per Month			
Residential Consumer 0 – 6 kl			
All consumers 7 kl – 25 kl	6.25	6.62	6.0%
26 kl – 35 kl	7.11	7.53	6.0%
36 kl and above	7.13	7.56	6.0%
Unpurified Water to Industries and Crocodile Farm			
First 500 kl or part thereof	573.97	608.40	6.0%
Above 500 kl	2.03	2.15	6.0%
New Connection Charges			%
Non-Residential (e.g Industrial, Businesses)	Cost + 15%	Cost + 15%	

Testing of Meter			
Where meter show an error of less than 2,5%	154.71	163.99	6.0%
Where meter show an error of more than 2,5%	N/C	N/C	
Water Connection			
Water connection	1640.00	1738.40	6.0%
Poverty (Indigent) tariff (A281/2005)	521.39	552.67	6.0%
PENALTIES: TAMPERING WITH WATER METERS (RECONNECTION FEE)			
Domestic Consumers (Pre-paid & Conventional)			
FIRST OFFENCE			
Without damage to installation	3 021.00	3202.26	6.0%
With damage to installation	3 625.20	3842.71	6.0%
SECOND OFFENCE	6 042.00	6404.52	6.0%
THIRD OFFENCE			
Legal action and removal of meter			

SELF – RECONNECTION			
When a customer has illegally reconnected himself/herself after he/she has been cut-off due to reasons such as: • Failure to pay his/her account; • After meter has been found tampered with; and • Meter by-passed by customer	6 042.00	6404.52	6.0%
If customers readings, differs from those taken when he/she was cut-off, such customer be declared self-reconnected and the following fine be imposed upon him/her and the installation be removed	6 042.00	6404.52	6.0%
BUSINESS CONSUMERS AND LARGE WATER USERS			
FIRST OFFENCE			
Plus an estimated cost for loss of income during the period when the meter was tempered with	6 042.00	6404.52	6%
SECOND OFFENCE			
Legal action and removal of meter			
The occupier/owner of the property be held liable for any tempering with any meter on his/her property			

9.11 Refuse Removal

9.11.1 Currently (2013/2014) has the refuse removal been transformed during the current (2012/2013) financial year and is new tariff structures have been implemented. In normal practice terms, the rendering of this service should at least break-even, which is currently not the case. Umjindi will have to implement a strategy to ensure that this service can be rendered in a sustainable manner over the long-to-medium-term.

9.11.2 The following table indicates a comparison between current and proposed amounts payable from 1 July 2014 (VAT INCLUDED)

021 REFUSE REMOVAL : ALL NEW TARIFF STRUCTURE WAS IMPLEMENTED 2012/2013	CURRENT TARIFFS 2013/14 (Including VAT)	PROPOSED TARIFFS 2014/15 (Including VAT)	PROPOSED TARIFFS 2014/15 Increase
Once per week : Residential			
1st Bin : All Sections	85.50	90.63	6%
Schools			
Category A (With Boarding Facilities)BTN Hoërskool, BTN Primary	4322.00	4591.92	6%
Category B (Without Boarding Facilities) Mhola Primary, Comprehensive High School, Sikhuthele, Amon NKosi, Ngwane, eMjindini, Ekucathuzeni, BTN Secondary, Mountainview, Ehlanzeni FET, Veldskool etc	1710.00	1812.60	6%
Category C (e.g Kleuterskool, Gummy Bears, Gateway, Barberton Creche)	820.80	870.05	6%
Category D (Prison Farm)	26584.80	28179.89	6%
Category E (Town Prison)	16917.60	17932.66	6%
Category F (General business=not food premises)	589.38	624.74	6%
Category G (SAPS, Court, Home Affairs, Mafrica Clinic, Circuit Office, Dept Sports / Museum, Cathyville Clinic, Town Clinic, Labour Dept, Public Works, Regiment Botha	4591.92	4867.44	6%
Institutions			
Category H (BTN General Hospital)	6726.00	7129.56	6%
Category I (SANTA Hospital)	6384.00	6767.04	6%
Category J Commercial Businesses (Eureka, Lomati, Shoprite, Jock of the Bushveld)	15960.00	16917.60	6%

Category K : Medi- clinic	5234.79	5548.88	6%
Commercial Wholesalers / Supermarket	1653.00	1752.18	6%
Food Premises, Butcheries, Food Outlets	845.88	896.63	6%
General Business Garages & Spares	580.03	614.83	6%
Spaza Shops	212.04	224.76	6%
Commercial Residents High Waste Generation (e.g Flats)	706.80	749.21	6%
Special removals (6m3)		1749.21	6%
Cleaning of Erven per m²	1.71	1.81	6%
NEW			
Private waste removal: 1-2 Ton per disposal		20.00	New
Private waste removal: 3 Ton per disposal		40.00	New
Private waste removal: > than 3 Ton per disposal		80.00	New

9.12 Sanitation

9.12.1 The tariff is proposed to be increased by 6% from 1 July 2014

9.12.2 The following table indicate the proposed tariffs (VAT INCLUDED) to be implemented with effect from 1 July 2014:

CATEGORY	CURRENT TARIFFS 2013/14 (Including VAT)	PROPOSED TARIFFS 2014/15 (Including VAT)	PROPOSED TARIFFS 2014/15 Increase
	R	R	
Private Residential Purposes			
For every 100m^2 or portion thereof	6.97	7.39	6%
Maximum	135.76	143.91	6%
Prisons			
For every 100m^2 or portion thereof	6.97	7.39	6%
Maximum	3 171.69	3361.99	6%
Other Land			
For every 100m^2 or portion thereof	6.97	7.39	6%
Maximum	1903.01	2017.19	6%
Domestic Sewerage			
Per water closet pan, urinal or compartment	20.65	21.89	6%
Connection Fees			
Non-Residential (e.g Industrial, Businesses)	Cost + 15%	Cost + 15%	
Sewerage Connection Fees			
Sewerage connection fees	1 423.39	1508.79	6%
Poverty (Indigent) tariff	678.43	719.14	6%

Self-Connection / Illegal Connection Fees			
When a resident, business has illegally connected him/herself to the sewerage network			
Residential	1 921.36	2036.64	6%
Business	3 842.71	4073.27	6%
Sewerage Blockages Private Properties	No service	No service	

9.13 Electricity

9.13.1 The tariff is proposed to be changed according to NERSA guidelines

9.13.2 Only residents of Umjindi who are registered and approved indigent household will continue to get the 50 kWh per month free of charge.

9.13.3 The following table indicates the proposed electricity charges (VAT INCLUDED) for the 2014/15 financial year.

CATEGORY	CURRENT TARIFFS 2013/14 (Including VAT)	PROPOSED TARIFFS 2014/15 (Including VAT)
	R	
DOMESTIC (HOUSEHOLD, FLATS, GUEST HOUSES, CHURCHES & SCHOOLS WITHOUT KVA AND AGRICULTURAL HOLDINGS)		
Domestic Basic Charge		
Domestic with no consumption for 30 days and longer& vacant stands		
Residential	204.38	221.14
Domestic Energy Charge of Electricity (Block tariff)		
Conventional 0 – 50 units Block 1	0.798	0.841
Conventional 51– 351 and above units Block 2	0.992	1.055
Conventional 351– 600 units Block 3	1.322	1.431
Conventional 601– above Block 4	1.573	1.702
Pre-paid Domestic 0 -50 units Block 1	0.798	0.841
Pre-paid Domestic 51 -350 units Block 2	0.992	1.055
Pre-paid Domestic 351 -600 units Block 3	1.334	1.443
Pre-paid Domestic 600 and above Block 4	1.573	1.702

COMMERCIAL (MUNICIPAL , BUSINESS ETC)		
Basic Charge (conventional)		
Three phase (including vacant stand)	1033.10	1117.81
Single phase (including vacant stand)	906.87	981.23
Energy Charge of Electricity		
Charge per unit	1.129	1.552
Business consumption (Pre-paid)	1.425	1.739
INDUSTRIAL (MUNCIPAL, BUSINESS, SCHOOLS WITH KVA ECT)		
Low Voltage 400 V (Demand Scale)		
Metered KVA	154.41	167.08
Charge per unit	0.741	0.802
Basic charge (including vacant stands)	1329.67	1438.71
Time of use		
Peak	3.124	3.380
Standard	0.730	0.789
Off-peak	0.490	0.530
KVA 11000V		
Metered KVA	154.41	167.08
Charge per unit	0.576	0.624
Basic charge (including vacant stand)	1360.59	1472.16
Time of use		
Basic charge	1 360.59	1360.59
Demand charge per kVA (30 min periods)	53.01	53.10
Energy charges		
Peak		
High Demand (June – August)	2.820	2.820
Low Demand (September – May)	0.920	0.920
Standard		
High Demand (June – August)	0.854	0.854
Low Demand (September – May)	0.633	0.633
Off-peak		
High Demand (June – August)	0.530	0.464
Low Demand (September – May)	0.402	0.402

CONNECTION CHARGES AND OTHER MAINTENANCE		
Single phase pre-paid meter	6 320.16	7078.58
Single phase conventional meter	6 224.40	6971.33
Single phase pre-paid meter (Poverty)Indigent	1 896.05	2123.57
Three phase pre-paid meter	10 533.60	11797.63
Three phase conventional meter	10 220.78	11447.28
Change conventional to pre-paid meter (single phase)	1036.762	1161.17
Change conventional to pre-paid meter (three phase)	2119.49	2373.83
Change pre-paid to conventional (Single phase)	1075.06	1204.07
Change pre-paid to conventional (Three phase)	2 119.49	2373.83
PENALTIES: TAMPERING WITH ELECTRICITY METERS		
Domestic Consumer (Pre-paid & Conventional)		
First Offence		
Without damage to installation	3 420.00	4104.00
With damage to installation	4 377.60	5253.12
Second Offence		
	4 993.20	5991.84
Third Offence		
Legal action and removal of meter		
SELF – RECONNECTION		
When a customer has illegally reconnected himself/herself after he/she has been cut-off due to reasons such as: • Failure to pay his/her account; • After meter has been found tempered with; and • Meter by-passed by customer		
If customers readings, differs from those taken when he/she was cut-off, such customer be	3 420.00	4104.00

declared self-reconnected and the following fine be imposed upon him/her and the installation be removed		
Business Consumers and Large Power users		
FIRST OFFENCE		
Plus an estimated cost for loss of income during the period when the meter was tempered with	8 481.60	10177.92
SECOND OFFENCE		
Legal action and removal of meter		
The occupier/owner of the property be held liable for any tampering with any meter on his/her property		
Testing of Meters (Section 9(1) of By Laws)		
Attendance to complaint other than fault in council's supply or equipment (per call)	1 412.46	1553.71
Testing of electrical installation (Section 16(8)b of By-Laws) – 0n request of consumer	605.34	665.87
Replacement of tariff circuit breakers with		
Higher circuit breaker per phase	470.82	517.90
Lower circuit breaker per phase	470.82	517.90
Consumer is of the opinion tariff circuit breaker to current value that its rating		
Tariff	470.82	517.90
Per circuit breaker	242.14	266.35
(These costs are refundable at non-compliance)		
After a tariff circuit breaker has been tested, the Engineer's finding as to the tariff circuit breaker's compliance with the provisions of these By-Laws shall be final and a tariff circuit breaker shall be regarded as complying with the provisions of these By-Laws if the test proves that it does not trip within 30 minutes when it passes a steady current of 5% below its rating		

Aggregate of units determined by Council Engineer	At Tariff	
Testing/fault finding on electrical cables		
First 2 hours	1 681.50	1849.65
Every hour thereafter	605.34	665.87
Plus: Travel cost	Actual cost	
Tariff classification		
In the event of a dispute regarding the tariff under which a consumer is classified, Council's decision shall be final		

9.14 Other tariffs

9.14.1 Cemetery

Tariffs increase of 6% (VAT INCLUDED)

001 Cemetery	CURRENT TARIFFS 2013/14 (Including VAT)	PROPOSED TARIFFS 2014/15 (Including VAT)	PROPOSED TARIFFS 2014/15 Increase
Within Umjindi	Total including VAT		%
	R		
Indigents			
Adult	240.77	255.21	6%
Child and Stillborn (0 - 12 Years)	133.28	141.27	6%
All Others			
Adult	674.79	715.28	6%
Child and Stillborn (0 - 12 Years)	333.22	353.22	6%
Wall of Remembrance			
Single Niche	191.59	203.08	6%
Double Niche	408.20	432.69	6%
Reservations' of graves and niches			
Grave	133.29	141.29	6%
Niche	43.32	45.92	6%
Widening or deepening graves	283.29	300.29	6%
Curbstone decorations/applications	83.33	88.33	6%
Exhumation of a body	741.05	785.51	6%

001 Cemetery	CURRENT TARIFFS 2013/14 (Including VAT)	PROPOSED TARIFFS 2014/15 (Including VAT)	PROPOSED TARIFFS 2014/15 Increase
001 Cemetery	2013/2014	2014/2015	
Outside Umjindi	Total including VAT	Total including VAT	
	R	R	
Indigents			
Adult	285.79	302.93	6%
Child and Stillborn (0 - 12 Years)	142.90	151.47	6%
All Others			
Adult	1 316.54	1395.53	6%
Child and Stillborn (0 - 12 Years)	658.27	697.77	6%
Wall of Remembrance			
Single Niche	417.43	442.48	6%
Double Niche	842.92	893.49	6%
Reservations' of graves and niches			
Grave	272.95	289.33	6%
Niche	88.35	93.65	6%
Widening or deepening graves	272.92	289.29	6%
Curbstone decorations/applications	94.62	100.30	6%
Exhumation of a body	764.94	810.84	6%

NEW			
Renting of halls	Profit making events		
Deposit (Refundable)		2 500.00	New
Rental per day		3 000.00	New
Renting Emjindini Stadium	Profit making events		
Deposit (Refundable)		1 000.00	New
Rental per day		2 500.00	New

10. EXEPENDITURE FRAMEWORK

10.1 Some of the salient features and best practice methodologies relating to expenditure include the following:

10.1.1 Asset renewal strategy (infrastructure repairs and maintenance a priority)

10.1.2 Balanced budget constraint (expenditure cannot exceed revenue)

10.1.3 Capital programme aligned to asset renewal strategy

10.1.4 Operational gains and efficiencies resulting in additional funding capacity on the capital programme as well as redirection of funding to other critical areas, and

10.2 The following table is a high level summary of the 2014/15 Budget (Classified per main category of operating expenditure not including any capital (External and Internal).

	Vote Description Expenditure	Original approved budget 2013/2014	Adjustment Budget 2013/2014	Draft Budget 2014/2015
19	Employee Remuneration	59,667,581	65,599,883	70,697,089
20	Employee : Social Contribution	13,383,036	12,690,839	15,081,904
21	Councillors Remuneration	6,199,796	6,667,264	7,040,104
22	Depreciation	25,000,000	25,000,000	23,000,000
23	Repair & Maintenance	8,156,675	4,720,707	4,170,707
24	Interest Paid	547,100	753,634	753,634
25	Bulk Purchases	64,535,000	62,535,000	62,535,000
26	Contracted Services	12,901,530	11,849,072	11,847,822
27	Grant&Subsidypaid Operational	7,940,000	7,940,000	6,940,000
28	Pauper Burial Services	46,968	31,984	25,000
29	Contribution to Funds & Reserves	18,053,170	18,302,596	18,302,596
30	Internal Capital	-	-	-
31	General Expenses	35,105,824	32,583,198	32,938,521
	Expenditure Total	251,536,680	248,674,177	253,332,377
	Surplus/(Deficit)	-35,081,525	-39,005,262	-32,344,164
	Increase / (Decrease) in total			1.87%
	NON-CASH ITEMS			
	Asset depresiation		**25,000,000**	23,000,000
	Bad Debts		**15,371,596**	15,371,596
	Interest Debtors		**-2,500,000**	-2,000,000
	Actual Surplus / (Deficit) on		3,866,334	4,027,432
	Orders (Expend commitments) outstanding		12,130,515	14,287,264

10.3 The total expenditure for the 2014/2015 financial year has increased by 1.8% against the 2013/14 adjustment budget if the depreciation of assets is not taken in consideration which decreased from R 25 million to R 23 million.

10.4 The cost (revenue forgone) of the social package of the registered and approved indigent household is off-set against the equitable share received in terms of the DoRa (Division of Revenue Act).

11. CONCLUSION

11.1 Although the Municipality in its entirety faces many financial and non-financial challenges, the continued improvement and development of an effective financial planning process aids the actualization of fulfilling its facilitating role to capacitate the community to build a prosperous future for all.

11.2 The 2014/2015 Budget contains realistic and credible revenue and expenditure proposals which should provide sound basis for improved financial management and institutional development as well as service delivery improvement and implementation.

11.3 The public participation and consultation process did take place in 11 May 2014 to 22 May 2014 regarding the community input on the budget for 2014/2015

12. RECOMMENDATION

12.1 That in terms of Section 24(1) of the Local Government: Municipal Finance Management Act (MFMA), 2003 (Act 56 of 2003), the budget and MTREF of the municipality for the financial year 2014/2015, and indicative allocations for the two projected outer years 2015/2016 and 2016/2017, and the multi-year and single year capital appropriations are approved as set out in the following tables:

12.1.1 Budgeted Financial Performance (revenue and expenditure by standard classification) as contained in Table A2.

12.1.2 Budgeted Financial Performance (revenue and expenditure by municipal vote) as contained in Table A3.

12.1.3 Budgeted Financial Performance (revenue by source and expenditure by type) as contained in Table A4.

12.1.4 Multi-year and single year capital appropriations by municipal vote and standard classification and associated funding by source as contained in Table A5. 11.2 That the financial position, cash flow, cash-backed reserves/accumulated surplus, asset management and basic service delivery target are adopted as set out in the following tables:

12.2.1 Budgeted Financial Position as contained in Table A6.

12.2.2 Budgeted Cash Flows as contained in Table A7.

12.2.3 Cash backed reserves and accumulated surplus reconciliation as contained in Table A8.

12.2.4 Asset Management as contained in Table A9.

12.2.5 Basic Service Delivery measurements as contained in Table A10.

12.3 That in terms of Section 75A of the Local Government: Municipal Systems Act, Act 32 of 2000, the tariffs for Property Rates, Electricity, Water, Sanitation as well as refuse removal as attached, be approved with effect from 1 July 2014.

12.4 That in terms of Section 75A of the Local Government: Municipal Systems Act, Act 32 of 2000, the tariffs for other services, as attached respectively, be approved with effect from 1 July 2014.

12.5 That the proposed electricity tariff increase is subject to approval by NERSA and will be effective as from 1 July 2014.

12.6 That all budget related policies as attached, (That is reviewed and amended) be approved and applicable with effect from 1 July 2014.

12.7 That the Service Delivery and Budget Implementation Plans be compiled and submitted to the Mayor for approval and implemented with effect from 1 July 2014.

UMJINDI LOCAL MUNICIPALITY

2014/15 MEDIUM-TERM REVENUE AND

EXPENDITURE FRAMEWORK
(MTREF) and

(2014/15 BUDGET)

FINAL CAPITAL

Core Business Area	Financial Services Directorate
Operational Area	Budget & Treasury Section

Owner: Umjindi Budget & Treasury Section
Client: Umjindi Local Municipality

Document Classification:
Public

1. EXTERNAL FUNDS (GRANTS) - DoRA

1.1 With the promulgation of the 2014 Division of Revenue bill in February 2014, the following operational and capital allocations towards the municipality have been factored into the MTREF. (*Bill published in Government Gazette No. 37337 of 21 February 2014)*

DESCRIPTION	BUDGET 2013/14	BUDGET 2014/154
MIG	28 052 000	29 824 000
INEP	18 000 000	5 300 000
Water Infrastructure Grant	17 196 000	21 000 000
TOTAL GRANTS	**63 248 000**	**56 124 000**

1.2 The table below illustrates how the above grants have been allocated to the various projects in the 2014/15 budget year:

DESCRIPTION	FINAL BUDGET
MUNICIPAL INFRASTRUCTURE GRANT (MIG)	
Rehabilitation of Sewer line at ext 11	7 500 000
Upgrade Bulk line from Greyville to Ext 10B	5 500 000
Construction of road with paving :Verulam	12 000 000
Resurfacing Hospital link road	2 000 000
Sport infrastructure development	1 500 000
PMU	1 324 000
TOTAL MIG	**29 824 000**

WATER INFRASTRUCTURE GRANT	
Upgrading and refurbishment Lomati dam wall	5 900 000
Rimers Creek WTW	2 100 000
Emjindini Trust bulk pipeline &Water reticulation	600 000
Emjindini Bulk pipeline &Water reticulation	600 000
Kamadakwa Ndlovu storage and reticulation	600 000
Barberton and Verulam pipeline	600 000
Water provision to farm dwellers and rural areas	3 000 000
Sheba siding Bulk pipeline, WTW & reticulation	7 600 000
TOTAL MWIG	**21 000 000**

INTERGRATED NATIONAL ELECTRIFICATION PROGRAMME (INEP)	
Funding 2013/2014 Shortfall	2 000 000
Electrification of Msholozi (1321 H/holds)	3 300 000
TOTAL INEP	**5 300 000**

1.3 INTERNAL FUNDED CAPITAL

1.3.1 Vehicles

CAPITAL BUDGET 2013/2014		26 May 2014	
CAPITAL-VEHICLES		FINAL	
		2014/2015	
Department	**Type**	**Final Budget**	**Motivation**
Community services	1x compactor truck	-	
	1x ton bakkie for Assistant Horticulturist	200,000	
		200,000	
Electrical services	1 x (4x4 electrician bakkie)	500,000	A new electrician has been employed and needs a bakkie for his day to day duties and there is a need for a standby bakkie equipped with all the necessary tools requirement to perform emergency work after
Finance	LDV (Supply chain unit)	250,000	
Municipal Manager	4x4 double cap bakkie for risk officer	-	
Corporate Services	Sedan	150,000	
Civil	1 X Tractor (4X4) 200Kw	600,000	Towing of Jet Cleaner and cutting of grass at the Plants
	2 X Bakkies (4X4) (1 = Roads team and 1 = Water Services)	500,000	To go to all the remote rural areas and the plants (Tunnel, Shiyalongubo, etc.)
		1,100,000	
TOTAL VEHICLES BUDGET 2014/2015		2,200,000	

1.3.2 Other

	CAPITAL BUDGET 2014/2015	**26 May 2014 FINAL 2014/2015**
	Procurement of work equipment	
	(i) Furniture	**Budget Allocation**
	Municipal manager	**Final Budget**
	1x Laptop for Internal Auditing	16,000
	1x (Digital camera (communications)	14,000
	Sub-Total for Department	**30,000**
	Chief financial officer	**Final Budget**
	Financial Services	
	1x Laptop (Asset Control Officer	16,000
	3x chairs Replacement (2x enquiry Clerk, 1 Asst CFO	4,000
	Boardroom furniture	20,000
	Office furniture for SCM	10,000
	Laptop (Replacement) Debt collection	16,000
	Sub-Total for Department	**66,000**
	Development planning and human settlement	**Final Budget**
	4x filing cabinet for Human Settlement Unit	8,000
	LUMS	500,000
	Valuation roll	200,000
	Sub-Total for Department	**708,000**

Electricity services	Final Budget
1x Laptop for Superintendent	16,000
Office equipment for Superintendent	20,000
6x chairs	6,000
Sub-Total for Department	**42,000**

Corporate Services	Final Budget
Laptop for Ass Director Corporate services	16,000
Laptop for Labour Relations Officer	16,000
Laptop for Skills Development Facilitator	16,000
Chairs and tables(auditorium)	45,000
Server for Quidity "Records"	80,000
Sub-Total for Department	**173,000**

Community services	Final Budget
Office furniture for office staff(Olga)	20,000
2x desktop computers and printers for Cleansing Supervisor & Horticulturist	16,000
2x floor mopping bucket system for CS	3,000
1x floor polisher for Town Hall	18,000
Chairs for Town Hall	30,000
Construction of enclosed shelters at Cemeteries	60,000
1x water pump (cemetaries)	5,000
Waste management program	250,000
Swimming pool pump	25,000
Swimming pool filter	20,000
GIS cemetary	25,000
Sub-Total for Department	**472,000**

Civil Services	Final Budget
1x Laptop (Siabonga)	16,000
Kudu lawn mover	50,000
4x Brush cutters	12,000
12 volt waterpump	20,000
Paving braeker	24,000
Trashpump	13,000
2x Plate compactors	15,000
	150,000
TOTAL INTERNAL CAPITAL BUDGET	**1,641,000**
CAPITAL VEHICLE BUDGET 2014/2015	**2,200,000**
TOTAL FINAL CAPITAL BUDGET - INTERNAL I	**3,841,000**

2. CAPITAL BUDGET

2.1 The Capital budget per department (Expenditure and funding resource) for the 2014/2015 financial year will be as per the attached capital budget schedule.

2.2 The total capital budget currently equates to:

Internal R 3 841 000
Grants R 56 124 000

7.3 Departments have to take into account their capacity and funding to spend the requested budgets against the allocated projects in order to ensure implementation and provision of services delivery.

UMJINDI LOCAL MUNICIPALITY

MULTI YEAR (2014/2017) FINANCIAL PLAN

Core Business Area	Financial Services Directorate
Operational Area	Budget & Treasury Section

Owner: Chief Financial Officer
Client: Umjindi Local Municipality

Document Classification:
Confidential

TABLE OF CONTENTS

1. PURPOSE

1.1 The purpose of this document is to outline the comprehensive Multi-year Financial Plan that will ensure long-term Financial sustainability for the Municipality.

1.2 A Multi-year Financial Plan is essential to ensure that the Municipality continues to implement its mandate effectively without impairing its capital base. It will also enable the Municipality to move towards self-sufficiency in meeting the growing demands of Service Delivery.

2. BACKGROUND:

2.1 A Financial Plan is prepared for a period of at least three years, however it is preferred that it should be for over a period of five or more years.

2.2 A Multi-Year Financial Plan is prepared to ensure financial sustainability of the Municipality paying particular attention to the Municipality's infrastructure requirements.

2.3 It is also an important component of the Municipality's Integrated Development Plan.

2.4 A prudent Multi-Year Financial Plan identifies and prioritizes expected needs based on the Municipality's Five-Year Integrated Development Plan and details estimated amounts of funding various sources.

2.5 The Multi-Year Financial Plan will also ensure that the Municipality has greater financial health and sustainability, making it easier to collaborate on projects with other levels of Government and various public and private stakeholders. This will further enhance the ability of the Municipality to have access to more financing, funding and grants.

3. FINANCIAL STRATEGY FRAMEWORK:

3.1 Umjindi Municipality is a developing and growing Municipality striving for service delivery excellence. Therefore many challenges are faced with regards to Financial Planning and are ever changing due to the dynamic setting of Local Government.

3.2 The priority for the Municipality, from the financial perspective is to ensure viability and sustainability of the Municipality. The Multi-Year Financial Plan and related strategies will therefore need to address a number of key areas in order to achieve this priority. These strategies are detailed below:

3.2.1 Revenue Enhancement Strategy:

* To seek alternative sources of funding;
* Expand Income base through implementation of new Valuation Roll;
* The ability of the Community to pay for services;
* Identification and pursuance of Government Grants;
* Tightening Credit Control measures and Debt Collection Targets;

* Improve customer relations and promote a culture of payment;
* Realistic Revenue estimates;
* The impact of inflation, the Municipal cost index and other cost increases; and
* The creation of an environment which enhances growth, development and Service Delivery.

3.2.2 Asset Management Strategy:

* The implementation of a GRAP compliant Asset Management System;
* Adequate Budget provision for Asset Maintenance over their economic lifespan (Remains currently a challenge);
* Maintenance of asset according to an Infrastructural Asset Management Plan (Remains currently a challenge and in developmental stage);
* Maintain a system of Internal control of assets to safeguard assets; and
* Ensure all assets owned and/or controlled except specific exclusions are covered by Insurance.

3.2.3 Financial Management Strategies:

* To maintain an effective system of Expenditure control including procedures for the approval, authorization, withdrawal and payment of funds.
* Preparation of the Risk Register and application of Risk Control;
* Implement controls, procedures, policies and by-laws to regulate fair, just and transparent transaction;
* Training and development of Senior Financial staff to comply with prescribed minimum competency level
* Implement new GRAP standards as gazette by National Treasury; and
* Prepare Annual Financial Statements timorously and review performance and achievements for past financial years.
* The new SCOA (Standard Charter of Accounting) as developed by National Treasury and currently being implemented in pilot municipalities (2015/2016) will have a huge impact on the financial reporting in term of the MFMA.
* The new SCOA (Standard Charter of Accounting) must be implemented by all municipalities as from 1 July 2016 (2016/2017 Financial year)

3.2.4 Operational Financing Strategies:

* Effective Cash Flow Management to ensure continuous, sufficient and sustainable cash position;
* Enhance budgetary controls and financial reporting;
* Direct available Financial resources towards meeting the projects as identified in the IDP, and
* To improve Supply Chain Management processes in line with regulations.

3.2.5 Capital Funding Strategies:

* Ensure service delivery needs are in line with Multi-year Financial Plan;
* Careful consideration / prioritization on utilizing resources in line with the IDP;
* Analyze feasibility and impact on operating budget before capital projects are approved;
* Determine affordable limits for borrowing;
* Source external funding in accordance with affordability.
* Improve capital budget spending; and
* Maximizing of infrastructural development through the utilization of all available resource.

3.2.6 Cost-Effective Strategy:

* Invest surplus cash not immediately required at the best available rates;
* Restrict capital and operating expenditure increases in relation to the inflation rate taking into consideration the macro economic growth limit guideline and Municipal cost increases.
* To remain as far as possible within the following selected key budget assumptions-
  *Provision of bad debts of at least 5%
  *Overall cost escalation to be linked to the average inflation rates
  *Tariff increase to be in line with inflation plus Municipal growth except when regulated;
  *Maintenance of assets of at least 6% of total operating expenditure
  *Capital cost to be in line with the acceptable norm of 18%
  *Outstanding external debt not to be more than 50% of total operating revenue less Government Grants; and
  *Utilisation of Equitable Share for indigent support through Free Basic Services.

3.2.7 Measurable Performance Objectives for Revenue:

* To maintain the Debtors to revenue ratio below 10%
* To maintain a Debtors payment rate of above 90%
* To ensure that the Debtors return remain under 40 days; and
* To keep the Capital cost on the Operating Budget less than 18%

3.3 Financial Management Policies:

The purpose of Financial Policies is to provide a sound environment to manage the financial affairs of the Municipality. The following are key budget related policies:

3.3.1 Tariff Policy: the Policy prescribes the procedures for calculating tariffs. This policy is required in terms of Section 74 of the Local Government Municipal System Act, Act 32 of 2000;

3.3.2 Rates Policy: a Policy required by the Municipal Property Rates Act, Act 6 of 2004. This Policy provides the framework for the determination of rates;

3.3.3 Indigent Management support Policy: to provide access to and regulate free basic services to all indigents;

Indigents are those households who are unable to access or pay for basic services due to a number of socio-economic factors.

Indigents must gain access to the Municipal Services infrastructure including water supply, sanitation, refuse removal, electricity and alternative energy where no electricity is available.

The Municipality needs to ensure that the services provided to indigent households are always maintained and available.

The indigent subsidy must be targeted to the poor.

3.3.4 Budget Policy: this Policy set out the principles which must be followed in preparing Medium Term Revenue and Expenditure Framework Budget. It further ensures that the Budget reflects the strategic outcomes embodied in the IDP and related strategic policies.

3.3.5 Asset Management Policy: the objective of the Policy is to prescribe the accounting and administrative procedures relating to the property, plant and equipment;

3.3.6 Accounting Policy: The policy describes the basis of presentation of the Annual Financial Statements in accordance with the Generally Recognized Accounting Practices and Accounting Standards.

3.3.7 Supply Chain Management Policy: this Policy is developed in terms of Section 1 of the Municipal Finance Management Act, Act 56 of 2003. The principles of this Policy is to give effect to a fair, equitable, transparent, competitive and cost effective system for the procuring of goods and services, disposing of goods and selecting of contractors in the provision of Municipal Services.

3.3.8 Subsistence and Travel Policy: this Policy regulates the reimbursement of travelling and subsistence costs to officials and Councilors attending official business.

3.3.9 Credit Control and Debt Collection Policy: this Policy provides for Credit and Debt Collection Procedures and mechanisms to ensure that all consumers pay for the services that are supplied.

3.3.10 Cash Management and Investment Policy: this Policy was compiled in accordance with the Municipal Invest Regulation R308 and ensures that cash resources are managed in the most efficient and effective manner possible.

3.3.11 Short-term Insurance Policy: the objective of the Policy is to ensure the safe-guarding of Council's assets.

3.3.12 General Ledger Chart of Accounts Maintenance Policy (COA)
A current and accurate Chart of Accounts is an integral part of the accounting systems of the municipality.

This Chart of Accounts is generally consistent with the definitions and procedures presented in the GRAP (General Recognize Accounting Practices) Requirement as well as the General Financial Statistics (GFS Classification) and various budget reform processes as aligned by National Treasury.

The new SCOA (Standard Charter of Accounting) as developed by National Treasury and currently being implemented in pilot municipalities (2015/2016) will have a huge impact on the financial reporting in term of the MFMA.

The new SCOA (Standard Charter of Accounting) must be implemented by all municipalities as from 1 July 2016 (2016/2017 Financial year)

3.3.13 Information Technology Policy

Aim of this policy is:

To promote the professional, ethical, lawful and productive use of Umjindi Municipality information systems.

To define and prohibit unacceptable use of Umjindi Municipality information systems.

To educate Municipal officials about their Information Security responsibilities.

To describe where, when and why monitoring may take place.

To outline disciplinary procedures.

3.3.14 Debt Management Policy

The objectives of this policy are to:

Record the circumstance under which a municipality may incur debt.

Describe the conditions that must be adhered to by the Municipal Manager or his/her delegate when a loan application is submitted to council for approval;

And record the key performance indicators to ensure access to the money markets.

3.3.15 Petty Cash Policy

Policy Objectives

To ensure the correct procedures are followed when requesting a petty cash facility
To ensure that petty cash is kept safe at all times
To ensure that advances are only paid for valid expenses purchases and that all transactions are accurate and complete
To ensure that petty cash is balanced and reconciled on a daily basis in order to detect mistakes, and to prevent the float being depleted before replenishment takes place
To ensure that replenishment of petty cash is done when required and that replenishment only takes place for amounts that are supported by valid supporting documents.

To ensure that the petty cash facility is available and managed well in the absence of the regular petty cash official.

4. REVENUE FRAMEWORK:

4.1 In order to serve the Community and to render the services needed, revenue generation is fundamental to financial sustainability of every Municipality.

4.2 The reality is that we are faced with developmental backlogs and poverty, challenging our Revenue generation capacity. The requests always exceed the available funds. This becomes more obvious when compiling the Municipality's Annual Budget.

4.3 Municipalities must table a balanced and more credible Budget, based on realistic estimation of revenue that is consistent with their budgetary resources and collection experience

4.4 The Revenue strategy is a function of key components such as:

4.4.1 Growth in town and economic development
4.4.2 Revenue enhancement
4.4.3 Achievement of above 90% annualized collection rate for consumer revenue;
4.4.4 National Treasury guidelines;
4.4.5 Electricity tariff increase within National Electrification Regulator of South Africa (NERSA) approval;
4.4.6 Approval of full cost recovery of specific department
4.4.7 Determining tariff escalation rate by establishing / calculating revenue requirement; and
4.4.8 Ensuring ability to extent new services and recovering of costs thereof.

4.5 The South African economy is slowly recovering from the economic downturn and will still take some time for Municipal revenues to increase through Local economic growth.

4.6 Consequently cash flows are expected to remain under pressure for the 2011/2012 Financial Year and a conservative approach is followed to project expected revenues and cash receipts.

4.7 The following table is a summary of the total projected revenue for the Municipality over the Medium Term:

	Vote Description Revenue (Income)	Original approved budget 2013/2014	Adjustment Budget 2013/2014	Final Budget 2014/2015
1	OPERATING REVENUE BY			
2	Property Rates	23,569,187	25,069,187	23,945,737
3	Property Rates-Forgone		-7,359,786	-6,583,721
4	Property Rates		17,709,401	17,362,016
5	Electricity	46,247,000	46,247,000	48,387,799
6	Electricity Pre-Paid	27,247,811	28,664,348	30,384,208
7	Water	33,931,182	33,931,182	29,931,182
8	Sanitation	5,871,096	5,871,096	5,972,712
9	Refuse Removal	10,524,767	10,524,767	12,396,999
10	Grants Operational	50,003,000	49,968,000	64,217,000
11	Interest & Inv Inc	500,000	301,578	350,000
12	Rent of Facilities	1,479,267	1,030,417	1,092,243
13	Interest on O/S Debt	2,500,000	2,500,000	2,000,000
14	Traffic Fines	302,000	231,625	252,300
15	Fines	1,240	639	677
16	Licenses and permits (Agency	2,900,000	2,658,613	2,818,130
17	Other (Miscellaneous)	9,465,836	8,408,265	4,268,556
18	Gains on Disposal of Assets	100,000	438,596	300,000
	Profit on Sale of Inv Prop / Land	1,812,769	1,183,388	1,254,391
	TOTAL OPERATING REVENUE	216,455,155	209,668,915	220,988,212

5. GRANT FUNDING:

5.1 The Division of Revenue Act contains allocations from National and Provincial, which allocations are recognized as Government Grants and factored as follows under the Medium Term:

DESCRIPTION	BUDGET 2013/14	BUDGET 2014/154
MIG	28 052 000	29 824 000
INEP	18 000 000	5 300 000
FMG	1 550 000	1 600 000
MSIG	890 000	934 000
EPWP Incentive	1 286 000	1 795 000
Equitable Share	52,307,000	58 318 000
Water Infrastructure Grant	17 196 000	21 000 000
TOTAL GRANTS	102 085 000	118 771 000
Increase/(Decrease)		16.5%

5.2 Government grants forecasted for the 2014/2015 Financial Year reflect an increase of 16.5% from the 2013/2014 Financial Year.

5.3 The Equitable Share allocation to the local sphere of Government is an important supplement to existing Municipal Revenue and takes account of the fiscal capacity, fiscal efficiency, developmental needs, extent of poverty and backlogs in Municipalities.

5.4 It is an unconditional grant and allocations are contained in the Division of Revenue Act (DORA).

5.5 The structure and components of the formula are summarized as follows:

Structure of the local government equitable share formula

$LGES = BS + (I + CS)xRA \pm C$

where

LGES is the local government equitable share

BS is the basic services component

I is the institutional component

CS is the community services component

RA is the revenue adjustment factor

C is the correction and stabilisation factor

5.6 It should be noted that the basic component support is only for poor households earning less than R1500.00 per month and it also distinguishes between poor households provided with services and those provided with lesser or no services.

5.7 A Municipality should prioritize its budget towards poor households and national priorities such as free basic services and the expanded public works programme.

6. TARIFF SETTING:

6.1 Umjindi Municipality derives its revenue from the provision of services such as electricity, water, sanitation and refuse removal. A considerable portion of the Revenue is also derived from property rates and grants by National Governments as well as other minor charges such as traffic fines.

6.2 As in the past, increase cost primarily driven by the Consumer Price Index (CPIX), dictates an increase in the tariffs charged to the consumers and the ratepayers. It therefore follows that all the tariffs will have to be increased by a percentage in line with the forecasted CPIX estimated at an average CPI for this period is 5.6 per cent.

` The MFMA Circular 72 however stipulates as follows:

National Treasury has observed that municipalities unjustifiably approve property rate and service charge tariff increases far above the 6.0 per cent upper boundary of the inflation target; in some instances municipalities have increased annual tariffs in excess of 100 per cent in a single financial year. For this reason ***municipalities must justify and substantiate in their budget documentation (budget narrative) all increases in excess of the 6.0 per cent*** upper boundary of the South African Reserve Bank's inflation target.

6.3 It is realized that the ability of the community to pay for services rendered is also under tremendous pressure and that the economic outlook for the near future require everybody to make sacrifices.

6.4 The additional revenue that will be generated through tariff increased has to ensure continued service delivery.

6.5 The latest figures released by STATS SA indicated contractions in several spheres of the economy and this confirms that the disposable income of households remain under a lot of strain.

6.6 By drastically increasing tariffs on essential commodities, more strain will be added for the already cash stripped resident households.

6.7 Increase beyond the CPIX included in the Medium Term will only add to bad debt which is already high and a decline in the cash flow

6.8 It must be kept in mind that household cash flow will definitely be strained by tariff increase of ESKOM.

6.9 The outcome of the proposed increase in tariffs for the 2014/2015 on the different categories is as follows:

DETAILS	2014/15 PROPOSED TARIFF INCREASE	2014/15 TOTAL BUDGETED REVENUE
Property Rates	6%	**23,945,737**
Electricity	7,39%	**78,772,007**
Water	6%	**29,931,182**
Sanitation	6%	**5,972,712**
Refuse Removal	6%	**12,396,999**
TOTAL		**151,018,637**

6.10 From the household perspective, how much more will be paid in rand is of more interest than the 6% increase in the various tariffs and rates.

6.11 The implementation of the Credit Control and Debt Collection Policy, particularly with regards to the appointment of the Debt Collection Agency will aid in ensuring that the Municipality reverts back to its collection rate of 91% over the past financial year. It is however envisaged that with the pressure on tariff increases to fund the Medium Term Budget, the payment rate will become under pressure and special attention will have to be paid on managing all revenue and cash streams especially debtors.

6.12 The Equitable Share allocation is mainly used to provide free basic services to approximately 2000 Indigents. The proposed Indigent support provided for as per draft tariffs (Which still have to be approved by council) is as follows:

INDIGENTS AND FREE BASIC SERVICES		
	PER HOUSEHOLD PER MONTH	RAND AMOUNT PER MONTH
Free Basic Electricity per month	205.20	410 400
Free Basic Water per month	76.73	153 460
Free Refuse and Sewerage per month	91.20	182 400
Free assessment rates per month	28.23	56 460
Total free basic services per month		802 720

7. EXPENDITURE FRAMEWORK:

7.1 Some of the salient features and best practice methodologies relating to expenditure include the following:

7.1.1 Asset renewal strategy (infrastructure repairs and maintenance a priority)

7.1.2 Balanced budget constraint (Expenditure cannot exceed Revenue)

7.1.3 Capital programme aligned to Asset renewal Strategy

7.1.4 Operational gains and efficiencies resulting in additional funding capacity on the Capital Programme as well as redirection of funding to other critical areas, and

7.1.5 Strict principle of no project plan (business plan) no budget allocation (funding allocation)

7.2 The following table is a high level summary of the total projected expenditure for the Municipality over the Medium Term period and aligned to the IDP.

	Vote Description Expenditure	Original approved budget 2013/2014	Adjustment Budget 2013/2014	Draft Budget 2014/2015
19	Employee Remuneration	59,667,581	65,599,883	70,697,089
20	Employee : Social Contribution	13,383,036	12,690,839	15,081,904
21	Councillors Remuneration	6,199,796	6,667,264	7,040,104
22	Depreciation	25,000,000	25,000,000	23,000,000
23	Repair & Maintenance	8,156,675	4,720,707	4,170,707
24	Interest Paid	547,100	753,634	753,634
25	Bulk Purchases	64,535,000	62,535,000	62,535,000
26	Contracted Services	12,901,530	11,849,072	11,847,822
27	Grant&Subsidypaid Operational	7,940,000	7,940,000	6,940,000
28	Pauper Burial Services	46,968	31,984	25,000
29	Contribution to Funds & Reserves	18,053,170	18,302,596	18,302,596
30	Internal Capital	-	-	-
31	General Expenses	35,105,824	32,583,198	32,938,521
	Expenditure Total	251,536,680	248,674,177	253,332,377
	Surplus/(Deficit)	-35,081,525	-39,005,262	-32,344,164
	Increase / (Decrease) in total			1.87%
	NON-CASH ITEMS			
	Asset depresiation		**25,000,000**	23,000,000
	Bad Debts		**15,371,596**	15,371,596
	Interest Debtors		**-2,500,000**	-2,000,000
	Actual Surplus / (Deficit) on		3,866,334	4,027,432
	Orders (Expend commitments) outstanding		12,130,515	14,287,264

7.3 The Medium Term projections reflect an average growth of 1,87% for the 2014/15 MTREF not taking the decrease in the asset depreciation and capital expenditure in consideration.

7.4 In terms of the projected operating budget of R 253,332,377.00 for the 2014/2015 Financial Year, indicative Salary increases have been included and represents 34 % of the total Operating Expenditure forecast.

7.5 The cost associated with the remuneration of Councillors is determined and informed directly by way of the Remuneration of Public Office Bearers Act 1998 (Act No 20 of 1998)

7.6 Bulk Electricity purchases remain the increasing factor on Operating Expenditure as have National Treasury advised the municipalities as follows: (MFMA Circular 72):

Municipalities are advised to structure their 2014/15 electricity tariffs based on the approved **7.39 per cent** NERSA guideline tariff increase and provide for an **8.06 per cent** increase in the cost of bulk purchases for the tabled 2014/15 budgets and MTREF. In this regard municipalities are once again urged to examine the cost structure of their electricity undertakings and apply to NERSA for electricity tariff increases that are cost reflective and ensure continued financial sustainability.

8. CAPITAL REQUIREMENTS:

8.1 The following table indicates the projected Medium Term Capital requirements per Department.

8.2 These figures are based on the projects identified through the IDP project phase and reflect estimated amounts based on the availability of funding:

CAPITAL EXPENDITURE BY VOTE			
	BUDGET YEAR 2014/2015	FORECAST 2015/2016	FORECAST 2016/2017
Executive and Council	30 000		
Budget and Treasury Office	316 000		
Corporate Services	323 000		
Planning & Development	858 000		
Public Safety			
Health			
Community &Social Services	672 000		
Sport and Recreation			
Housing			
Waste management			
Waste Water management			
Road Transport	1 100 000		
Water	49 324 800	137 816 000	146 837 000
Electricity	5 842 000	13 000 000	14 000 000
TOTAL CAPITAL EXPENDITURE BY VOTE	59 965 000	150 816 000	160 837 000

Electricity	10%		
Water	78%		
Roads	6%		
Other	6%		

8.3 It is imperative that Capital Budgets are prioritized to reflect consistent efforts to address backlogs in basic services and the refurbishment and expanding of existing infrastructure.

8.4 Cognizance should also be given that National Government has prioritized the quality of drinking water and failures in the management of waste water through the blue drop and green drop performance ratings.

8.5 Measures have to therefore be taken over the Medium Term Revenue and Expenditure Framework to implement these strategies to ensure that existing waters supply and waste water comply with these requirements.

8.6 It is important to realize that these figures are only indicative of the different services and may vary as priorities change.

8.7 From the above it is clear that for the next three years many challenges lie ahead to appropriate Capital Expenditure towards available sources of funding and to obtain alternative funding sources to address the needs as identified in the IDP.

8.8 In terms of infrastructure development and to reach the Government Service Delivery targets, 94 % of the Capital Programme will be allocated for this purpose.

8.9 It can further be noted that 10% of the Capital Expenditure for the 2014/2015 budget is allocated to the Electricity services, 78% for water, 6% for Roads and Stormwater and approximately 6% for other services (Community and institutional requirements).

8.10 The project source of funding over the Medium Term has been carefully considered and can be summarized as follows:

CAPITAL FUNDING BY SOURCE			
	BUDGET YEAR 2014/2015	FORECAST 2015/2016	FORECAST 2016/2017
Other transfers and Grants			
Internally generated funds	3 841 000		
National Government			
Municipal Infrastructure Grant	28,332,800	31,090,000	32,349,000
Integrated National Electrification Grant	5,300,000	13,000,000	14,000,000
EPWP Incentive Grant	1,795,000		
Municipal Water Infrastructure Grant	21,000,000	106,726,000	114,488,000
TOTAL	59 965 000	150 816 000	160 837 000

9. CONCLUSION

9.1 The continued improvement and development of an effective financial planning process aids the actualization of fulfilling its facilitating role to capacitate the community to build a prosperous future for all

9.2 The Financial planning imperatives contribute to ensuring that the Municipality remains financially viable and that municipal services are provided economically to all communities

9.3 The Multi-year Financial Plan contains realistic and credible revenue and expenditure forecasts which should provide a sound basis for improved financial management and institutional development as well as service delivery improvements and implementation.

9.4 The strategy towards cash backing will certainly ensure the sustainability of the Municipality over the medium-to long-term